FISCAL NOTE

SB 1136 - HB 1243

February 14, 2007

SUMMARY OF BILL: Prohibits the Tennessee Education Lottery Corporation (TELC) from directly promoting, marketing, or advertising the lottery and its games.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – TELC advertising expenditures would decrease approximately $14,100,000 per year. However, net lottery proceeds are estimated to decrease by an amount exceeding $25,000,000 per year. This would result in fewer scholarships being awarded to eligible recipients.

Assumptions:

- The TELC spent approximately $14,100,000 for advertising in FY05-06.
- The recurring decrease to TELC advertising expenditures is estimated to be $14,100,000 per year.
- According to the TELC, they have not conducted a detailed analysis of the impact of advertising on lottery ticket sales, but believe there to be a strong and direct correlation between the two based on studies conducted by other lotteries.
- According to the TELC, the impact of $1 spent on advertising varies from study to study, but they suggest (based on these other studies) that approximately $11 in ticket sales is generated from every $1 spent on advertising.
- A minimum seven-to-one (7:1) ratio of net ticket sales for each advertising dollar expended.
- Net ticket sales generated from advertising expenditures is estimated to be $98,700,000 ($14,100,000 in advertising X $7 sales ratio = $98,700,000). This would represent approximately 9.8% of total net ticket sales.

- Approximately 27% of net ticket sales are returned to the state as net lottery proceeds. This is the portion that would be dedicated to higher education scholarships.
- The decrease to net lottery proceeds is estimated to exceed $25,000,000 per year ($98,700,000 X 27% return = $26,649,000).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director